



## Responsible Sourcing Guidelines: Framework for Forest-based Materials

These Responsible Sourcing Guidelines (RSGs) have been produced to guide Nestlé Procurement staff and consultants hired by Nestlé in the interpretation and implementation of Nestlé's Position on Deforestation and Forest Stewardship. They may be shared with suppliers and stakeholders.

The RSGs contain general provisions, providing interpretation on the Forest Stewardship Principles that are applicable to all commodities associated with deforestation and forest stewardship. More specific provisions are then provided for individual commodities. The specific RSGs reflect the differences in scope and scale of the impacts encountered by the different commodities. This version (May 2011) includes detailed provisions for palm oil and paper products. Future versions will detail RSGs for other commodities as they are ready for implementation. These RSGs will be used to develop detailed operational guidance for procurement and marketing staff.

Annex 1 provides clarification of terminology and the interpretation of "deforestation"

Annex 2 provides details of high risk countries for deforestation

Annex 3 provides means of verification

Annex 4 provides details of terms used

Annex 5 provides details of organisations that can provide assistance

Annex 6 provides the Scorecard for Paper Packaging

## General Provisions

The following provisions form the basis of Nestlé’s commitment to tackle deforestation<sup>1</sup> and improve forest stewardship<sup>2</sup>, and form the foundations for Nestlé’s Responsible Sourcing Guidelines.

Nestlé will ensure that all its raw material sources:

- Have not led to deforestation: Nestlé will ensure that its products are sourced from land that has not been converted from natural forest to a plantation or other land use.
- Have not led to the loss of High Conservation Values: Nestlé will ensure that products are sourced in a manner that maintains or enhances high conservation values in the surrounding landscape.
  - Nestlé will follow the guidance on high conservation values provided by the High Conservation Value Resource Network on high conservation values.
  - Nestlé will also include high forest carbon stocks (including above ground carbon values and peat-lands that provide important carbon and water storage functions) as a high conservation value and will develop appropriate criteria.
  - Nestlé will pay particular attention to high conservation values needed to preserve water stewardship livelihoods, and species that require large contiguous habitats.
  - Nestlé will not source products from IUCN protected areas categories I-IV, UNESCO World Heritage Sites and wetlands on the Ramsar List.
- Have been produced in compliance with The Nestlé Corporate Business Principles and The Nestlé Supplier Code<sup>3</sup>
  - They are from a “known and licensed source”: They are traceable back to their origin and the supplier has the legal right to harvest the produce.
  - Are legally harvested and traded: Harvested or traded in compliance with relevant national and international laws and treaties.
  - The sources do not include “conflict wood/forest based commodities”.
  - Suppliers adhere to UN Declaration on Human Rights and ILO core conventions on working practices (see also Nestlé Supplier Code).

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<sup>1</sup> The term “deforestation” is used mean the clearing of forests for the expansion of agriculture or forest plantations. It is used interchangeably with “forest conversion” in this paper.

<sup>2</sup> Responsible Stewardship is used to embrace the concepts of maintenance and enhancement of high conservation values, and rural and community values.

<sup>3</sup> The Nestlé Corporate Business Principles set out Nestlé’s support for and commitment to compliance with laws and international norms, in particular on Business Integrity, Human Rights, Labour Practices, Health & Safety and Environmental Sustainability. The Nestlé Supplier Code, based on these principles is applicable to all the suppliers of products and services to Nestlé.

- Respect for the rights and title of indigenous peoples, and including the free prior and informed consent of indigenous and local communities has been obtained when sourced through activities in forests, plantations and farms on their customary land (ILO Convention 169).
- Have led to the creation of shared value for society and local communities<sup>4</sup>: Nestlé will ensure that its products are sourced such that:
  - Plantation companies in water stressed areas<sup>5</sup> have carried out water resource assessments and are implementing water stewardship plans that take into account the human right to water as well as environmental flows.
  - Small-holders do not face barriers to becoming a Nestlé supplier based upon these requirements
  - That there are demonstrable rural development benefits accruing to local communities as a consequence of Nestlé procurement activities, including that small-holder farmers and communities are assisted to improve their tenure and stewardship of their trees and forests.

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<sup>4</sup> Further information on Creating Shared Value is available on [www.nestle.com](http://www.nestle.com)

<sup>5</sup> ETH Zurich and WRI have measures of water stress and are used together and individually by Nestlé to map water stress.

## **1. Paper & Paperboard**

These paper & paperboard RSGs cover the following categories: paper & paperboard, office and publication grade papers, and other paper uses (eg cups).

Forest stewardship is a central issue for the forest industry. Whilst the conversion of forests to make paper is limited to a few companies, the degradation of forest quality through practices that destroy high conservation values is still a widespread problem. Illegal logging is an ever present threat as are a variety of issues associated with plantation establishment.

In addition, the paper industry also has other characteristics that need to be taken into account: it is a large user of water and energy, and produces significant quantities of waste and pollution (to air, landfill and water). Performance across the industry on these various aspects varies considerably, and therefore there is a considerable opportunity to reduce Nestlé's own indirect impacts through engaging with suppliers in these areas.

Water stewardship is a priority for Nestlé, and an issue which it is seeking to stimulate action on across society. The paper industry is taking initial steps to understand its water impacts, but can do more both at the factory level (both in overall water use as well as the reduction of pollution) and through water stewardship in its forest operations. Of particular concern are plantations, and harvesting operations in water catchment areas.

Nestlé wishes to see a paper industry that has optimised its use of virgin and recycled fibre, and will play its part in driving towards that ambition. The use of recycled fibre has reached high levels in paper packaging grades, but there are still opportunities to increase recycled fibre usage in graphic and office paper grades. It is these paper grades that Nestlé will focus its efforts on to increase its recycled fibre usage. For food packaging, the actual specification of the fibre type depends upon legal food safety considerations. Nestlé's efforts in these areas will focus on continuing to increase the efficiency of paper and board use, whilst continuing to increase the recyclability of packaging (both in terms of product design as well as local recycling capability), in conjunction with other industry players and governments. We will continue, where possible, to use product brand consumer communication to encourage consumers to recycle packaging.

Nestlé buys from a large number of locally based suppliers. The majority of these are small converters, buying in source material from a smaller number of major paper & board producers. In some cases Nestlé also buys from these producers. Nestlé has better leverage to work directly with the producers to drive performance improvements, and it will therefore focus its efforts to improve compliance with its RSGs on the major paper and board producers. It will work with converters to ensure that they source from the producers that are making progress and committed to meeting these RSGs.

A key element of the paper policy is to drive efficiency of paper usage. Nestlé has a well developed research function that is implementing new ways to reduce the quantity of packaging material used. It has already taken some measures to reduce office paper use, but will use internal processes to reduce further office and publication paper grades. Nestlé will ensure that major official publications have a statement regarding the source of the paper used and its sustainability status. Separate guidance will be developed to assist in the specification of office and publication papers, and communication guidelines.

The Paper Responsible Sourcing Guidelines comprise a two track approach to paper sourcing:

Track 1 – High Risk Countries for Deforestation and Loss of High Conservation Values:

Nestlé will concentrate its efforts to eliminate deforestation and the degradation of forests from its paper supply chain by focussing on a few high risk countries. In these countries it will take a proactive approach and work with suppliers to assist them to comply with the Nestlé Forest RSGs.

The assessment of which countries to focus on will be based upon an initial assessment of in country deforestation rates, high biodiversity, high carbon forests (including peatlands), as well as imports of wood fibre (roundwood or chips) from countries with high deforestation or degradation rates, and concerns over loss of high conservation values (water provision, social issues). The countries chosen will be a combination of producer countries as well as major market (consumer) countries for Nestlé.

As at May 2011 the list is comprised of:

Wave 1: China, Indonesia, India, Brazil, France, USA

Wave 2: (tbc) Malaysia, Philippines, Japan, Spain, Russia, Chile

Nestlé envisages reviewing the list of countries on a regular basis.

Track 2 – Continual Improvement in Environmental Performance:

It is Nestlé's intention to drive continual performance improvements across all its suppliers, across the broad range of production impacts.

In order to drive performance across fibre, water, energy and waste aspects associated with paper purchasing, progress will be monitored via a "scorecard" measuring the different issues. It is proposed to use the WWF Paper Scorecard as a base as this best meets the needs of Nestlé, and has been market tested. Details are provided in Annex 6.

The scorecard is to be completed by supplying companies for different paper grades. It provides the following weighting:

Fibre: 40%, CO2: 20%, Water: 20%, Waste: 10% and Environmental Management System: 10%.

By building up a database of scores Nestlé will be able to identify best practice, priorities for action to improve the environmental performance at a mill or company level, and set annual improvement targets. It is envisaged that annual targets will vary, reflecting individual mill and regional variations. Performance improvement may be over all or some of the 5 categories, eg fibre or water or CO2.

Nestlé has gathered base information from its suppliers in Europe during 2011/21 and is working with those suppliers to set annual improvement goals that reflect the specific challenges of the mills and where the biggest performance improvements can be made (eg water, certified virgin fibre, recycled fibre, energy). From this experience Nestlé will then roll out the approach to other regions in order that regional and global annual targets for Nestlé's paper and paper packaging procurement can be set, and progress measured, in terms of a total %age score.

## Forest Certification

Under both tracks, forest certification schemes will be used to demonstrate compliance with one or more of the RSGs, and for the fibre requirements of the scorecard.

Currently (October 2012) Forest Stewardship Council (FSC) certification is able to provide the most comprehensive verification of compliance with Nestlé's Forest RSGs, and best meets Nestlé's criteria for credible certification. Nestlé will therefore use FSC to demonstrate compliance with our RSGs.

However, no certification scheme is currently able to explicitly certify compliance with all the RSGs, especially forests with high carbon values. Nestlé will develop its own interpretation of these for use with suppliers, whilst proactively working with the HCV Resource Network and certification schemes to incorporate concepts within their systems.

Nestlé also recognises that the availability of FSC certification from small holders is limited. Nestlé believes that its work with small farmers, where the focus is on net farm income, may provide it with insights that can help facilitate uptake of certification by small forest owners. It will proactively work with FSC and its stakeholders to extend the reach of FSC to small holders with a specific focus on those supply chains of interest to Nestlé.

## **2. Timber**

*To be further developed in 2013, particularly the interventions and monitoring of progress.*

Nestlé's use of timber is in building construction, fixtures and fittings, as well as pallets for transporting products. The most significant use is pallets which will be the initial focus.

Nestlé commits that the timber products it uses will follow the general provisions in this responsible sourcing guideline.

The following initial assessment countries have been identified as potentially high risk with respect to the Timber RSGs (see Annex 2):

Armenia, Cambodia, Ecuador, El Salvador, Guatemala, Honduras, Indonesia, Korea DPR, Nepal, Nicaragua, Pakistan, Sri Lanka, Timor Leste, Argentina, Belize, Brazil, Haiti, Lao, Malaysia, Myanmar, Mongolia, Papua New Guinea, Panama, Paraguay, Venezuela

FSC certification is the benchmark demonstrating responsibly grown and harvested timber, and will be accepted as verification of compliance with the Timber RSGs. Suppliers of construction services, furniture and pallets will be required to demonstrate compliance against the RSGs. Nestlé will work closely with companies in the above countries that are sourcing locally and those companies sourcing wood products from these same countries to guide compliance.

### **3. Palm Oil**

*Updated October 2012*

#### **Responsible Sourcing Guidelines : Palm Oil**

The following guidelines apply to all countries that Nestlé sources palm oil from.

Nestlé commits that the palm oil it buys will:

1. Not come from areas cleared of natural forest after November 2005
2. Be derived from plantations and farms operating in compliance with local laws and regulations
3. Protect high conservation values
4. Support the free prior and informed consent of indigenous and local communities to activities on their customary lands where plantations are developed
5. Protect peatlands
6. Protect forest areas of 'high carbon' value
7. Comply with the RSPO Principles and Criteria

Nestlé is working proactively with suppliers in high risk regions to help them comply with these guidelines. It has been carrying out field assessments against these RSGs since 2010.

RSPO certification is the benchmark demonstrating responsibly grown palm oil, and will be accepted as verification of compliance with the Nestlé RSGs with the exception of requirements 5 and 6.

Nestlé will work with stakeholders to set a provisional definition of 'high carbon' value, and work with the RSPO with the aim to incorporate this into the RSPO criteria. As at February 2011 the provisional definition is for 35 tonnes of above ground carbon.



#### **4. Soya**

A detailed Responsible Sourcing Guideline for Soya is available separately. The content covers:

1. Legal Compliance
  - a. Compliance with all applicable laws & regulations
2. High Conservation Values
  - a. Soya is sourced from land that has not been converted from HCV areas to other land use.
3. Labour Practices
  - a. No discrimination on the basis of gender, race, ethnicity, age or religion
  - b. No use of forced or child labour
  - c. Workers pay and conditions meet at least legal or mandatory industry standards.
  - d. Freedom of association and collective bargaining is respected, unless prevented by law
  - e. Provision of safe and healthy workplace.
4. Water
  - a. Impacts on water are mitigated by implementation of water management plans, and additional measures in water-stressed areas
5. Soils
  - a. Healthy, fertile soils are maintained
6. Pests & Disease Management
  - a. Pest and disease management is based on Integrated Pest Management programs that reduce the need for agrochemicals and provide appropriate safeguards for workers and high conservation values when agrochemicals are applied.
7. Food Waste & Post Harvest Losses
  - a. Food waste and post harvest losses are minimized
8. Rural Development
  - a. Production activities contribute to sustainable rural development
  - b. Expansion of agricultural activities on local peoples' land is subject to the free, prior and informed consent of the affected local communities, including indigenous peoples.
  - c. Small scale producer access to Nestlé's supply chains is not disadvantaged through application of these responsible sourcing guidelines.

Implementation of this Responsible Sourcing Guideline is progressing as follows:

1. Supplier engagement
2. Supply chain mapping
3. Supplier assessment vs. the RSGs
4. Supplier Action Plans
5. Supplier development and monitoring

## **5. Meat & Dairy**

Detailed Guidelines are under development in 2012

Priority countries for meat are: Brazil where the role of large scale ranching in the deforestation of the Amazon is well documented.

## **6. Cocoa, Coffee & Other Crops**

The Cocoa Plan has been comprehensively updated in 2012 and includes a commitment to “no deforestation”. See separate document. Of particular concern is expansion of cocoa in Cote d’Ivoire and Ghana.

The Nescafé Plan has committed to sourcing 4C compliant coffee. This includes a commitment to no conversion of forests.

A global assessment is underway (October 2012) to assess locations where deforestation is occurring and the overlap with Nestlé procurement of agricultural commodities. This will further guide the development of interventions across different commodities. The assessment is due to be completed Q4 2012.

## **7. Biofuels**

Nestlé’s purchases of biofuels are limited to transport fuels (diesel/petrol) which contain a legally stipulated proportion of biofuels blended within them. Oil companies are developing different strategies for sourcing biofuels, with some focussed more on palm oil feedstocks, and others on sugar cane, algae or responsibly managed forests. Nestlé’s ability to drive change through purchasing policies is very limited. It is however publically advocating against the use of food crops, for the production of biofuels.

A separate comprehensive position statement on biofuels is available.

ANNEX 1: Understanding Forest Conversion/Deforestation

The FAO definition of a forest, contained in the 2010 Forest Resource Assessment is:

*Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use.*

Deforestation is where forested land is converted to another land type. Countries do not in general measure deforestation, and the FAO therefore calculate the national and global rates by measuring the net changes in forest area over time. This is composed of the land which is converted from forest and land which is converted to forest.

However, defining deforestation is complicated by the fact that different countries define a “forest” in different ways, ranging upto 30% canopy cover, and as little as 0.05ha, or as low as 2m tree height. Further, it can be seen that a focus on a technical definition of deforestation, (moving from 11% canopy cover to 9% canopy cover) risks missing broader issues of forest degradation (eg moving from 100% canopy cover to 11% canopy cover) where the loss of forest values is arguably more important.

Nestlé’s ambition is to ensure that its products have not led to deforestation. The term “deforestation” is used by Nestlé to mean the clearing of forests for the expansion of agriculture or forest plantations. It will complement this with a commitment that its operations also do not lead to the loss of “High Conservation Values” (HCVs). In this way it will embrace a broader approach to deforestation and degradation.

In implementing this commitment through its suppliers, Nestlé will use national definitions of forests, or those agreed through stakeholder processes (eg RTRS) to help guide implementation. It will follow the definitions of HCVs provided by the HCV Resource Network.

Definitions aside, there are expected to be further “grey areas” in implementing this commitment. Notable are the potential exceptional circumstances where forest conversion may be justified. The HCV concept will provide the mechanism for dealing with such cases.

Specifically, plantations may be removed (or not replanted after harvesting) in order to enhance overall conservation values of a landscape. Examples of this include removing trees from water courses to improve water conservation or deep peats. Whilst this would be classified as deforestation, such actions are permitted under FSC certification for the wider conservation and biodiversity benefits. Such forest areas would need to be FSC certified.

Similarly in degraded forest landscapes with no remaining conservation value, there may be justification for limited conversion. Clear criteria would be developed through stakeholder consultation, an HCV assessment would be carried out, and the case submitted for independent scientific review or (where available) the area certified to a certification standard approved by Nestlé.

ANNEX 2: Countries Requiring Special Attention regarding Forest Conversion/Deforestation

20% or greater deforestation between 1990 and 2010:

Armenia, Cambodia, Ecuador, El Salvador, Guatemala, Honduras, Indonesia, Korea DPR, Nepal, Nicaragua, Pakistan, Sri Lanka, Timor Leste

10% or greater deforestation between 1990 and 2010:

Argentina, Belize, Brazil, Haiti, Lao\*, Malaysia\*, Myanmar, Mongolia, Papua New Guinea\*, Panama, Paraguay, Venezuela

\*deforestation rate is 9%, though these are important forested countries, so the area lost is significant

ANNEX 3: Approved Means of Verifying that Supplies meet the RSGs

Principles	Means of Independent Verification	Alternative Means of Verification
No forest conversion	FSC, RTRS	Assessment by recognised auditing company (see below)
Maintain & Enhance High Conservation Values	FSC, RSPO, RTRS	HCV Assessment/Auditor by recognised auditing company
Protect high carbon values (including peatlands)	None currently explicitly guarantees this	HCV Assessment/Auditor by recognised auditing company
IUCN categories, UNESCO World Heritage Sites and wetlands on the Ramsar List.	FSC, RSPO, RTRS	Policy Commitment by Supplier
“Known and licenced” source, legally harvested & traded, and Verified Legal (Paper Scorecard)	FSC, PEFC, RSPO, RTRS	Assessment by recognised auditing company
Human rights and working practices	ILO Core Conventions, Ruggie Guiding Principles FSC, RSPO, RTRS	Assessment by recognised auditing company
Free prior and informed consent	ILO 169 FSC, RSPO, RTRS	Assessment by recognised auditing company
Conflict wood/forest based supplies	FSC	Assessment by recognised auditing company
Credibly Certified (Paper Scorecard)	FSC	
Water in plantations	None currently explicitly guarantees this	Assessment by recognised auditing company
Small holders & communities	None currently explicitly guarantees this Nestlé will develop guidance on this	Assessment by recognised auditing company

FSC: Forest Stewardship Council

RSPO: Round Table on Sustainable Palm Oil

RTRS: Round Table on Responsible Soy

ILO: International Labour Organisation

PEFC: Programme for the Endorsement of Certification Schemes

## ANNEX 4: Definitions of Terms Used

*NOTE: This glossary is an excerpt from WWF's Global Forest & Trade Network (GFTN) Guide to Responsible Purchasing. All rights reserved. © WWF.*

*It should be noted that this glossary primarily applies to definitions associated with timber and paper. There is great overlap with definitions needed for palm oil & soya, though it is anticipated that new definitions will be needed for the other commodities. Nestlé has already added some new definitions.*

### **Glossary**

**Conflict Wood/Forest Based Commodities** is that sourced in a conflict or war zone and sold/traded in a way where the proceeds finance an insurgent or invading army's war efforts.

**Conversion** - Forests conversion involves removing natural forests to meet other land needs, such as plantations (e.g. pulp wood, oil palm and coffee among others), agriculture, pasture for cattle (e.g. around the Amazon region), settlements and mining. This process is usually irreversible. The term is used in this paper interchangeably with "deforestation".

**Corruption** (in the context of illegal harvesting) - Authorization to harvest or trade logs or timber products is secured through corrupt application of laws or administrative procedures.

#### **Grand corruption** (*per Chatham House*)

Characterised by long-term, strategic alliances with high level of mutual trust. For example, companies providing support to senior politicians, political parties or major components of the state's apparatus to:

- obtain or extend a concession or processing licences;
- avoid prosecution or administrative intervention for non-compliance with national legislation;
- negotiate favourable terms of investment, i.e. tax holidays or non-collection of statutory duties etc.

#### **Petty corruption** (*per Chatham House*)

Shorter-term, more tactical, employer-employee relationship, facilitated by and may develop into grand corruption. Most obvious as graft given to or solicited by junior officials to:

- falsify harvest declarations;
- avoid reporting restrictions;
- overlook petty infringements;
- ignore logging or laundering of logs from outside proscribed boundaries.

**Credibly certified** —Source category for FSC or other forest certification, with specified criteria and requirements.

#### Criteria

- The source forest is certified as well managed under a *credible forest certification* system.

#### Verification requirements

- Confirmation that the source forest is covered by a forest management certificate issued under a credible forest certification system at the time of harvesting.
- Confirmation that a valid chain-of-custody certificate number, issued by an accredited certification body under a credible forest certification system, is printed on the relevant invoices and attached to the product.

**Credible chain-of-custody certification**—Certification of specified products as traceable back to raw material source by a third party (for example, an accredited certification body).

**Credible forest certification**—Certification by a third party that a forest is well managed, under a certification system requiring

- participation of all major stakeholders in the process of defining a standard for forest management that is broadly accepted;
- compatibility between the standard and globally applicable principles that balance economic, ecological, and equity dimensions of forest management; and
- an independent and credible mechanism for verifying the achievement of these standards and communicating the results to all major stakeholders.

**Due care** - US importers need to exercise “due care” when sourcing forest products to ensure that they comply with the Lacey Act. Due care is a flexible concept that has been developed over time by the U.S. legal system. Due care means “that degree of care at which a reasonably prudent person would exercise under the same or similar circumstances. As a result, it is applied differently to different categories of persons with varying degrees of knowledge and responsibility” (Senate Report 97-123). Given the lack of certainty around how the court might view due care with respect to the Lacey Act provisions, it would be prudent for companies dealing in forest and paper products to avail themselves of the wide array of tools, technologies and resources available for assessing and eliminating illegal wood from often long and complicated supply chains. Internal company policies and tracking procedures are a critical element.

Steps may also include bar-code or other tracing systems; legality verification; certification under third-party schemes; stepwise programs offered by various organizations, and other innovative public-private partnership models.

Exporters can also follow this advice to ensure that they are also following due care to ensure that forest products are legal when sourcing materials that are to be used for export to the US market.

Showing you have taken due care as an exporter involves a number of activities leading to one result: being certain that the forest products supplied were legal. Activities that can assist an exporter to demonstrate that they have taken due care include the points below. Exporters need to consider

which of these activities can be of most assistance and should adapt their management to include some (or even all) of them.

**Due diligence** – the fair, proper, and appropriate degree of care and activity, has been practiced to demonstrate that the forest products in question have been legally obtained.

**Environmental status**—The source category designation of the timber in a given product. WWF GFTN recognizes the following categories:

- Unwanted
- Known
- Known licensed
- In progress to certification
- Credibly certified
- Recycled

**EU Regulation on Illegal Timber** - The European Commission [proposed a timber due diligence regulation](#) to minimise the risk of importing illegally harvested timber/timber products to the EU. Under the regulation, operators trading in timber inside the EU **would be required:**

- to use the due diligence system, to **ascertain that products are legal**
- to **identify the country of origin** of their timber, and whether it has been harvested according to the relevant laws of that country
- generally to be responsible and pro-active

Timber from VPA countries will be considered legal, and traders will not have to implement specific due diligence measures. This provides an incentive for timber-producing countries to sign VPAs.

**Genetic modification** – Credible forest certification prohibits the cultivation of genetically modified trees (GMOs). Forest products manufactured with GM content are not certifiable.

**Harvesting charges**—The charges due to the resource owner or official body, such as a regional or national government, arising as a result of the harvesting of forest resources.

**High conservation values** (as defined by the Forest Stewardship Council)—Any of the following values:

- Forest areas containing globally, regionally, or nationally significant concentrations of biodiversity values (e.g., endemism, endangered species, and refugia).
- Forest areas containing globally, regionally, or nationally significant large-landscape-level forests contained within, or containing, the management unit where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- Forest areas that are in or contain rare, threatened, or endangered ecosystems.
- Forest areas that provide basic services of nature in critical situations (e.g., watershed protection, erosion control).
- Forest areas fundamental to meeting basic needs of local communities (e.g., subsistence, health).
- Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic, or religious significance identified in cooperation with such local communities).



**High Carbon Stock** - work is underway to define “high carbon stocks” at national levels. For example in Indonesia, a provisional figure (as at February 2011) is 35 tonnes per hectare.

**Illegal harvesting** - Timber cut or removed without the required license or in breach of a harvesting license or law. This includes logs that are stolen.

**Illegal logging (and related trade and corruption)**—Illegal logging takes place when timber is harvested, transported, bought or sold in violation of national laws. The harvesting procedure itself may be illegal, including corrupt means to gain access to forests, extraction without permission or from a protected area, cutting of protected species or extraction of timber in excess of agreed limits. Illegalities may also occur during transport, including illegal processing and export, misdeclaration to customs, and avoidance of taxes and other charges. (*Chatham House Definition*)

**Illegal trading** - Timber, or a product containing timber, bought, sold, exported, or imported and processed in breach of the laws, including laws implemented under the Convention on International Trade in Endangered Species.

**In progress to certification**—Source category with specified criteria and requirements denoting environmental status of source.

### Criteria

- The source is a *known licensed source*.
- The source entity has made a public commitment to achieve *credible certification* of the source FMU.
- A site inspection has been carried out by a suitably qualified and experienced assessment team to determine whether the source FMU is certifiable and to identify all areas of noncompliance with certification requirements.

The source entity:

- Has agreed to a time-bound, stepwise action plan to achieve certification of the source FMU;
- Provides periodic progress reports on implementation of its action plan, and is open to third-party inspection to verify that progress is being made as reported;
- Is participating in an initiative that supports and monitors stepwise progress toward credible forest certification (e.g., the entity could be a forest participant in the GFTN or a project of The Forest Trust - TFT or Smartwood's Smartstep programme).

### Verification requirements

- Confirmation from information issued by the certification support initiative that these criteria are satisfied with respect to a given source.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A second- or third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.

**Known source** —Source category with specified criteria and requirements denoting environmental status of product source.

**Criteria**

- The purchaser knows where the forest material was grown and can identify the harvesting entity.
- As far as the purchaser is aware, the source is not *unwanted*, as described in the purchasing organization’s policy.

**Verification requirements**

- The source forest is identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district; where risk is higher, the specific forest management unit should be identifiable.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Documentation is provided that identifies the source location, the source entity, and each intermediary in the supply chain.
- The purchaser has systems in place that periodically check the authenticity of this documentation.

**Known licensed source**—Source category with specified criteria and requirements denoting environmental status of source.

**Criteria**

- The purchaser knows where the timber was grown and can identify the harvesting entity.
- The timber originates from an entity that has a legal right to harvest timber in the forest management unit where the timber was grown.

**Verification requirements**

- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Each delivery of timber-based products to the purchaser is supported by documentation that identifies the source forest management unit and source entity and each intermediary in the supply chain.
- The purchaser has documentation demonstrating the source entity’s legal right to harvest.
- The purchaser, and/or its suppliers, has systems in place that periodically check the authenticity of the documentation and integrity of the chain-of-custody control points.
- If the purchaser is made aware of any dispute over the entity’s legal right to harvest, the purchaser should inquire into the status of the dispute. An entity’s claimed right to harvest should be regarded as having been verified while legal proceedings are in progress alleging that the entity is in breach of the law governing the acquisition of either harvesting rights from the resource owner(s), or regulatory approval (i.e., a permit, license, or similar instrument) for the harvesting of timber.

**Lacey Act** - On May 22, 2008, the U.S. Congress passed amended a law intended to eradicate trade in illegally sourced forest products – including timber and wood fibre based products (such as paper). This amended law is known as the Lacey Act. The Lacey Act only applies to US-based companies as it only applies within the boundaries of the United States. Whilst the Lacey Act does not apply to other countries, it is of great importance to exporters of forest products who want to trade with US companies – US-based customers are relying on their trading partners to help them show they are complying with this law. US-based forest products importers will be seeking assurances that the products they source from both the domestic market and from overseas have been harvested, possessed, transported, sold or exported without breaking any relevant underlying laws in the country where the tree was grown, even if it was processed in another country.

The laws which are regarded as relevant and which need to be complied with include those that relate to:

1. Theft of plants (logs);
2. Taking plants (logs) from an officially protected area, such as a park or reserve;
3. Taking plants (logs) from other types of “officially designated areas” that are recognized by a country’s laws and regulations;
4. Taking plants (logs) without, or contrary to, the required authorization;
5. Failure to pay appropriate royalties, taxes or fees associated with the plant’s (log) harvest, transport or commerce; or 6. Laws governing export or trans-shipment, such as a log-export ban.

**Legally harvested** —Timber that was harvested

- Pursuant to a legal right to harvest timber in the forest management unit in which the timber was grown, and
- In compliance with national and subnational laws governing the management and harvesting of forest resources.

**Legally traded** —Timber, or products made from the timber, that was

- Exported in compliance with exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;
- Imported in compliance with importing country laws governing the import of timber and timber products, including payment of any import taxes, duties, or levies or not in contravention of exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;
- Traded in compliance with legislation related to the convention on international trade in endangered species (CITES), where applicable.

**Legal right to harvest**—Authorization to harvest in the forest management unit

- From the resource owner(s), and
- Under a valid permit, license, or similar instrument issued pursuant to the laws and regulations governing the management and harvesting of forest resources. The permit has been acquired following free prior informed consultation and consent.

**Protected area** —An area of forest especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or

other effective means. IUCN categorises protected areas into 6 types. Categories I-IV do not permit commercial activities within their boundaries.

**Recycled** - A forest product made from post-consumer recycled fiber (for paper) or wood-based material that is sourced from a recovery process.

**Reclaimed** - Wood material from municipal or industrial sources that has been previously used.

**Resource owner(s)**—The holder(s) of property and usufruct rights over the land and/or trees within a forest management unit, including legally recognized rights held according to customary law.

**SMART targets** – *Targets set within a company or with suppliers that are:*

**Specific.** Clearly relating to single issue that needs management.

**Measurable.** Defined in measurable terms so that progress can be indicated.

**Achievable.** The target is possible to achieve.

**Realistic.** In the context the target is a realistic one.

**Time bound.** The target has a deadline or series of milestones associated with it.

**Source**—A combination of the supplying entity and the place from which the timber in a product originates. The source comprises the location where the timber was grown and the entity that was responsible for harvesting the timber.

**Timber**—Wood, fibre, and other woody materials harvested from trees.

Trade participant (in the Global Forest & Trade Network)— A participant who is a processor, manufacturer, trader, specifier, or end user of timber or paper products.

**Unknown source** - Source category with specified criteria and requirements denoting environmental status of product source.

- The purchasing organization does not know where the timber was grown and cannot identify the harvesting entity. The source forest is not identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district, and where risk is higher, the specific forest management unit (FMU) should be identifiable.
- The timber cannot be traced along an unbroken chain of custody from the participant back to the source entity.
- Documentation has not been provided that identifies the source location, the source entity, and each intermediary in the supply chain.
- The participant does not have systems in place that periodically check the authenticity of this documentation.

**Unwanted source**—A source that falls within one or more of the following categories:

- The source forest is known or suspected of containing high conservation values, except where
  - The forest is certified or in progress to certification under a credible certification system, or
  - The forest manager can otherwise demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained.

- The source forest is being converted from natural forest to a plantation or other land use, unless the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.
- The timber was illegally harvested or traded.
- The timber is conflict timber (i.e., it was traded in a way that drives violent armed conflict or threatens national or regional stability).
- The harvesting or processing entity, or a related political or military regime, is violating human rights.
- The source forest is unknown despite efforts to identify it.
- The timber is from genetically-modified trees.

**Verified legal** — Source category with specified criteria and requirements denoting environmental status of product source.

### **Criteria**

- The source is a known licensed source.
- The source entity legally harvested the timber.
- All harvesting charges have been duly paid.
- The timber was legally traded.

### **Verification requirements**

- A third-party auditor has confirmed that the timber was legally harvested and legally traded and that all harvesting charges were duly paid.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.

ANNEX 5: Organisations that can Provide Technical Support and Guidance:

The Forest Trust [www.tft-forests.org](http://www.tft-forests.org)

Conservation International [www.conservation.org](http://www.conservation.org)

WWF [www.panda.org](http://www.panda.org)

The Wildlife Conservation Society [www.wcs.org](http://www.wcs.org)

High Conservation Value Resource Network [www.hcvnetwork.org](http://www.hcvnetwork.org)

ProForest [www.proforest.net](http://www.proforest.net)

Rainforest Alliance [www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Global Forestry Risk Registry (for conversion, illegal logging, HCV, and community & traditional rights)  
[www.globalforestregistry.org](http://www.globalforestregistry.org)

Human Rights  
[www.srsgconsultation.org](http://www.srsgconsultation.org)

Indigenous Peoples  
[www.ilo.org/indigenous/Conventions/no169/lang--en/index.htm](http://www.ilo.org/indigenous/Conventions/no169/lang--en/index.htm)

Free Prior Informed Consent

<http://environment.yale.edu/tfd/dialogues/free-prior-and-informed-consent/>

Recognised Auditors on environmental and social issues are:

ProForest [www.proforest.net](http://www.proforest.net)

Rainforest Alliance [www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Office Paper Use (reduction strategies & tips, and approaches to sourcing)

[www.wrap.org.uk/business/using\\_recycled\\_paper/guidance\\_and\\_information/procurement.html](http://www.wrap.org.uk/business/using_recycled_paper/guidance_and_information/procurement.html)

**ANNEX 6: Scorecard for Paper Packaging**

This is an amended version of the WWF Scorecard. See [www.panda.org](http://www.panda.org) for detailed scorecard and implementation guidelines for paper manufacturers.

**Section A: Recycled fibre**

**1. Post/Pre-consumer, (% of total fibre content):**

≥5%	≥15%	≥25%	≥35%	≥45%	≥55%	≥65%	≥75%	≥85%	≥95%
4p	8p	12p	16p	20p	24p	28p	32p	36p	40p

Score =

Note: Nestlé has a preference for the use of recycled fibre. However, in choosing the fibre source, whether it be virgin fibre, post consumer or pre-consumer fibre, food safety considerations are paramount. Nestlé will therefore not use this scorecard to drive fibre choice. It has therefore neither differentiated between post and pre-consumer recycled fibre, nor between recycled fibre and virgin fibre.

**Section B: Virgin fibre**

**3. Verified legality, virgin fibre of legal origin, (% of total fibre content):**

>5%	>15%	>25%	>35%	>45%	>55%	>65%	>75%	>85%	>95%
1p	2p	3p	4p	5p	6p	7p	8p	9p	10p

Score =

**4. Verified controlled sources, virgin fibre units or regions where Civil and Traditional Rights are respected, High Conservation Values are maintained, and forests are not converted to plantations or other land use, (% of total fibre content):**

>5%	>15%	>25%	>35%	>45%	>55%	>65%	>75%	>85%	>95%
1p	2p	3p	4p	5p	6p	7p	8p	9p	10p

Score =

**5. Credibly certified sources, virgin fibre from forests certified under schemes characterised by international consistency, balanced multi-stakeholder governance and public transparency, (% of total fibre content):**

>5%	>15%	>25%	>35%	>45%	>55%	>65%	>75%	>85%	>95%
2p	4p	6p	8p	10p	12p	14p	16p	18p	20p

Score =

Note: the scores for virgin fibre are additive (maximum score is 40)

**Section C. Greenhouse gases, water pollution and waste**

**6. Emissions of fossil carbon dioxide**, from generation of energy for manufacture of market pulp or pulp and paper, including electricity from grid/external sources, (Kg / T of product):

=	_____	≤1440	≤1360	≤1280	≤1200	≤1120	≤1040	≤960	≤880	≤800	
	1p	2p	3p	4p	5p	6p	7p	8p	9p	10p	
		≤720	≤640	≤560	≤480	≤400	≤320	≤240	≤160	≤80	0
		11p	12p	13p	14p	15p	16p	17p	18p	19p	20p

Score =

**7. Waste to landfill**, from manufacture of market pulp or pulp and paper, (Kg / T of product):

=	_____	≤48	≤42	≤36	≤30	≤24	≤18	≤12	≤6	0
	1p	2p	3p	4p	5p	6p	7p	8p	9p	10p

Score =

**8. Water pollution from bleaching**, AOX emissions from manufacture of market pulp or pulp and paper, (Kg / T of product):

=	_____	≤0.200	≤0.175	≤0.150	≤0.125	≤0.100	≤0.075	≤0.050	≤0.025	0
	1p	2p	3p	4p	5p	6p	7p	8p	9p	10p

Score =

**9. Organic water pollution**, COD emissions from manufacture of market pulp or pulp and paper, (Kg / T of product):

=	_____	≤16	≤14	≤12	≤10	≤8	≤6	≤4	≤2	0
	1p	2p	3p	4p	5p	6p	7p	8p	9p	10p

Score =

**10. Environmental Management Systems**, EMAS, ISO 14001 or equivalent third-party audited systems:

a) % of pulp in paper product, or market pulp, manufactured in EMS certified mills:

≥15%	≥35%	≥55%	≥75%	≥95%
1p	2p	3p	4p	5p

b) % of paper in paper product manufactured in EMS certified mills:

≥15%	≥35%	≥55%	≥75%	≥95%
1p	2p	3p	4p	5p

Score (a for market pulp, a+b for paper) =

**Total score =**